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1. The decision of the United States to keep out of the internal Chinese strife seemed for a time to clear the way for shaping a new American policy towards China. After virtually severing its bonds with the Nationalist Government, the American Government had its hands free to recognize the Chinese Communists at a propitious moment. This situation was reversed, however, by the Chinese Communists' seizing the American Consulate General in Peiping. For reasons of prestige it will now be impossible for America to recognize MAO Tse-tung for an indefinite period. The question is whether this recognition is desirable in principle and, if so, how it could be performed without losing face.
2. The recognition seems to be advisable and urgent because:
  - a. It is of utmost importance that the non-Communist governments keep a united front. This refers especially to their policy towards South-east Asia.
  - b. Non-recognition of Communist China plays into Russian hands. It is obvious that the Soviet Union is striving to keep America and China separated and at loggerheads. It might be a correct assumption that the seizure of the Consulate General in Peiping was done on Russian instigation. MAO Tse-tung is not yet such a dyed-in-the-wool Communist that the Kremlin would gladly expose him to "capitalist" influences. The Russians are also fully aware of the fact that the urgent Chinese need for industrialization can be more easily satisfied by the United States than by the Soviet Union.
  - c. From the view of their policy towards Japan it would be desirable that the United States have diplomatic contact with Communist China. The economic rehabilitation of Japan is indispensable to the United States. The prerequisite of such a recovery is to find foreign markets for the large and unavoidable imports. The most important and promising market for Japanese goods is China. A resumption of economic relations between the countries is to be expected. The economic relations will have the

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tendency to broaden and develop to a general intercourse.

- d. In spite of the long feud between China and Japan and the antagonism of their regimes, one common ground will be left for both eastern Asiatic nations: the slogan "Asia to the Asiatics!" The hate of foreigners and the wish to get rid of them might develop a closer understanding than is desired by the Western nations. It will be most important for the United States to observe and control this development in a more efficient way than is feasible from Japan alone. The access to China and diplomatic relations with this country are indispensable for attaining this goal. However far-fetched these considerations may appear they are bound to soon become most important.

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